Finance

ACCOUNTABILITY STATEMENT

This Business Plan for the three years commencing April 1, 2001 was prepared under my direction in accordance with the *Government Accountability Act* and the government's accounting policies. All of the government's policy decisions as at April 3, 2001 with material economic or fiscal implications of which I am aware have been considered in preparing the Business Plan.

The Ministry's priorities outlined in the Business Plan were developed in the context of the government's business and fiscal plans. I am committed to achieving the planned results laid out in this Business Plan.

[ORIGINAL SIGNED]

Patricia L. Nelson, *Minister of Finance*
April 10, 2001

FINANCE'S VISION

Working together to provide renowned and innovative financial leadership.

FINANCE'S MISSION (CORE BUSINESSES)

- Manage financial assets and liabilities prudently.
- Facilitate sound fiscal planning and decision-making.
- Foster an effective accountability framework.
- Foster access to comprehensive and competitive financial products and services, and pension plans.
- Administer the regulatory framework to reduce the risk of financial loss to pension plan members, depositors and policyholders.

FINANCE GOALS FOR 2001-04

1. A strong sustainable financial position.
2. Open and accountable government.
3. A fair and competitive provincial tax system.
4. Minimize borrowing and financing costs subject to acceptable risk.
5. Foster confidence in, and encourage the availability of comprehensive, reliable, and competitive financial products and services.
6. Foster confidence in Alberta-registered pension plans.

Note: In addition to the Finance Department, the Ministry of Finance includes the activities of Alberta Government Telephones Commission and its subsidiaries, Alberta Insurance Council, Alberta Municipal Financing Corporation, Alberta Pensions Administration Corporation, Alberta Treasury Branches and its subsidiary ATB Investment Services Inc., Credit Union Deposit Guarantee Corporation and its subsidiaries. Additional details for the larger organizations are contained in the supplementary information to the Ministry Plan.

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GOAL 1: A STRONG SUSTAINABLE FINANCIAL POSITION

Related Core Government Measures: Provincial Credit Rating, Accumulated Debt, Cost of Government

STRATEGIES/OUTPUTS	OUTCOMES	PERFORMANCE MEASURES/TARGETS

• Pay down the province's accumulated debt in accordance with the *Fiscal Responsibility Act*. Establish a prudent economic cushion in the fiscal plan that, if realized, can be used under the *Fiscal Responsibility Act* for paying down accumulated debt and in-year spending or revenue reduction initiatives.
• Plan for a debt free Alberta.
• Advise and support the Minister of Finance and Treasury Board on business planning and budgeting, economic and fiscal policies and prudent forecasts of fiscal and economic conditions.
• In co-operation with Executive Council, co-ordinate an overall government business plan, including key government-wide performance measures.
• In consultation with ministries, strengthen the planning, budgeting and reporting processes for infrastructure programs.
• Develop and communicate common economic and financial assumptions for business planning across government.
• Monitor achievement of the fiscal plan and business plans.
• In consultation with ministries and ACSC, establish standards, policies and guidelines for overall government that facilitate sound financial administration within ministries.
• With ministries, continue to enhance and refine three year business plans.
	• Financial plans and policies that ensure Alberta's finances are well managed.
	• The province's finances are in order and the debt burden for Albertans is eliminated.
	• The government fiscal plan is integrated with the business plans.
	• Ministry business plans and related performance measures are congruent with, and linked to, the overall government business plan and government performance measures.
		• **Accumulated Debt Reduction; target: milestones as identified in the *Fiscal Responsibility Act*.**
		• Alberta's credit rating; target:
		  • best among the provinces; and
		  • domestic debt rated AAA.

• Develop Alberta's position on federal-provincial fiscal arrangements and, in conjunction with the other provinces, present that position to the federal government.	• Sustainable federal funding for Alberta's social programs.
	• The Canada Health and Social Transfer (CHST) remains the primary mechanism for health and social transfers.
		CHST targets:
		• Short-term targets:
		  • immediate restoration of the CHST and introduction of an appropriate cash escalator
		  • all new health and social funding is equal to those of all other provinces on a per capita basis.
		• Long-term targets:
		  • equal per capita transfer for all CHST cash.
		  • CHST cash replaced with a tax point transfer.

• Work with the federal government and the other provinces to ensure the sustainability of the Canada Pension Plan.	• A Canada Pension Plan that has a sound governance structure, is affordable and viable over the long term and has public confidence.	• Agreement by Finance Ministers on legislative amendments to the *Canada Pension Plan Act* at the end of the next renewal period (December 2002).

Note: Key performance measures appear in bold throughout the goals section.

STRATEGIES/OUTPUTS	OUTCOMES	PERFORMANCE MEASURES/TARGETS
• In consultation with public sector pension boards and stakeholders, facilitate the development of new pension governance frameworks including efficient management of boards' requests for policy changes.	• More appropriate, effective and accountable public sector pension plan governance that is sound enough to withstand events that may arise over the life of the plan. • Less day-to-day involvement of the government in public sector pension plan decisions.	Preliminary targets of good pension plan governance: • Separation of sponsor (policy making) and trustee (administrative) functions. • Mechanism exists for transparent accountability. • Parties exposed to financial risk are directly involved.
• Oversee the pay down of the province's obligation for public sector pension plans.	• More security for current and future pensioners.	• Public sector pension plans at fully funded status as certified by an actuary.
• Maximize long-term return on the government's investments to generate sustainable income to support the province's financial position.	• Continued investment performance that meets or exceeds the established performance benchmarks.	• Clearly defined investment benchmarks have been established for the government's investments.
• Implement an integrated approach to managing financial risks.	• Better identification and management of corporate financial risks.	• Quantification of risk for all material assets, liabilities, revenues and expenses.
• Pursue opportunities to dispose of remaining non-core financial assets (e.g., loans). • Manage contingent liabilities under loan guarantees.	• Increased focus on market investment activity.	• Dollars received; target: fair market value. • Assets remaining to be disposed of; target: zero. • Amount of contingent liabilities under administration; target: zero, excluding ongoing programs.
• Concentrate cash and facilitate receipts and disbursements via efficient systems and banking arrangements using the latest technological developments in electronic commerce.	• All cash balances invested.	• Rate of return on Consolidated Cash Investment Trust Fund; target: return equal to or greater than ScotiaMcLeod 91-Day Treasury Bill Index.

GOAL 2: OPEN AND ACCOUNTABLE GOVERNMENT

Related Core Government Measures: Provincial Credit Rating

STRATEGIES/OUTPUTS	OUTCOMES	PERFORMANCE MEASURES/TARGETS
• Develop a three year fiscal and business plan for the government as part of the annual budget. Report to Albertans quarterly and annually, with financial and non-financial results as well as overall financial position.	• Public understanding of the government's performance and financial position. • Communication of clear, understandable and reliable information to the public.	• **Portion of Albertans aware of government's financial performance in the past year; target: 80% of Albertans aware.**
• Work with ministries to refine ministry responsibility and accountability for financial management, including the reporting of results and business outcomes at the ministry level.	• Ministries responsible and accountable for their internal financial management.	• Satisfaction of deputy heads with the government's accountability system; target: all satisfied or very satisfied.

GOAL 3: A FAIR AND COMPETITIVE PROVINCIAL TAX SYSTEM

Related Core Government Measures: Taxation Load, Job Growth

STRATEGIES/OUTPUTS	OUTCOMES	PERFORMANCE MEASURES/TARGETS
• Ensure that Alberta's personal tax system promotes self-reliance and wealth creation, and is fair to Albertans.	• A tax system that encourages Albertans to work and that supports families. • Higher employment participation rates.*	• **Provincial tax load for a family of 4; target: lowest in Canada.** • Personal tax load; target: lowest in Canada. • Employment participation rate; target: highest in Canada. • Total tax load as a percentage of GDP; target: 29%.
• Enhance the competitiveness of Alberta's business tax system (including income, commodity and property taxes) with those of other jurisdictions. • Implement the April 1, 2001 business tax plan changes; implement the 2002-04 tax plan steps subject to affordability.	• A competitive corporate tax regime that attracts business and investment. (Shared outcome with Ministry of Revenue)	• **Provincial tax load on businesses; target: the lowest in Canada.** • Percent annual growth in business registrations; target: 3%. (Shared performance measure with Ministry of Revenue)
• Negotiate to enhance policy flexibility under the tax collection agreement.	• Enhanced policy flexibility at a reasonable cost.	• To be developed.
• Work in partnership with Ministry of Revenue, Canada Customs and Revenue Agency, and other provinces to harmonize tax programs and processes.	• Increased harmony of tax programs between governments and reduced overlap and duplication.	• Acceptance of harmonization initiatives by other jurisdictions.

***Note:** The employment participation rate excludes the value of unpaid work.

GOAL 4: MINIMIZE BORROWING AND FINANCING COSTS, SUBJECT TO ACCEPTABLE RISK

Related Core Government Measures: Provincial Credit Rating, Accumulated Debt

STRATEGIES/OUTPUTS	OUTCOMES	PERFORMANCE MEASURES/TARGETS
• Prudently manage the investments of the General Revenue Fund set aside to retire debt.	• Cash available to meet future maturities of the accumulated debt. • Reasonable return on invested funds.	• Performance measure to be developed.
• Analyze new products and implement those that contribute to liability objectives. • Enhance the management of risk by implementing new monitoring and analytical tools. • Update regulatory and legal documents/processes as required to ensure debt can be issued in various jurisdictions. • Monitor domestic market for opportunities to issue privately placed debt at an all-in cost saving relative to public debt issues.	• Efficient and prudent management of the province's financial liabilities. • Reduced costs or risks. • Low borrowing costs.	• Cost savings compared to Canadian public debt issues of comparable term. • Market Spreads - Alberta's cost of borrowing, compared to the federal government's cost; target: the lowest spread of any province.
• Continue to provide timely information to investors in Province of Alberta debt issues and to credit rating agencies, in cost effective ways.	• Investors and credit rating agencies understand the province's financial position.	• Satisfaction of investors and credit rating agency personnel; target: 4 out of 5 satisfied or very satisfied.

GOAL 5: FOSTER CONFIDENCE IN, AND ENCOURAGE THE AVAILABILITY OF COMPREHENSIVE, RELIABLE, AND COMPETITIVE FINANCIAL PRODUCTS AND SERVICES

Related Core Government Measures: GDP, Job Growth

STRATEGIES/OUTPUTS	OUTCOMES	PERFORMANCE MEASURES/TARGETS
• Establish processes to improve co-operation between Alberta regulatory agencies (Ministry of Finance, Ministry of Revenue, Alberta Insurance Council, Credit Union Deposit Guarantee Corporation and Alberta Securities Commission). • Influence national initiatives which impact the effectiveness of regulation of Alberta's financial institutions. • Develop a response to the electronic distribution of financial products, information and other market innovations. • Enable Albertans to control personal information that can be used by a financial service provider authorized to operate in Alberta. • Foster resolution of disputes between the industry and its clients. • Simplify and improve contractual and claims requirements and processes.	• An efficient and fair regulatory environment for financial services and the capital market. • Unbiased mechanisms for consumers to seek redress. • A regulatory environment that reflects today's rapidly changing financial market place.	• Satisfaction of financial institutions with the efficiency and fairness of the regulatory environment; target: 4 out of 5 satisfied or very satisfied. Stakeholders will be surveyed bi-annually commencing 2001. • Percentage of financial institutions meeting legislated capital adequacy requirements; target: 100%.
• Carry out a policy review of compensation for automobile injury claims.	• Fair compensation for claimants and more stable automobile insurance premiums.	• Reform proposals accepted by government are implemented.
• Develop the regulations regarding the solvency and governance of Alberta incorporated property and casualty insurers.	• Sound business practices by provincially incorporated property and casualty insurers.	• Percentage of property and casualty insurers that have the legislated minimum capital requirements; target: 100%.
• Provide financial services through Alberta Treasury Branches, based on sound banking and business principles, to all Albertans with a focus on independent business, personal and agri-industries lending.	• Personalised financial services to Albertans throughout the province. • Profitable operation of Alberta Treasury Branches.	• Meet and exceed customer expectations in its three target markets (independent business, personal and agri-industries lending). • Achieve, over time, profitability, efficiency and loan loss ratios comparable to the major banks.
• Provide quality pension administration services to Alberta's public sector pension employees and employers and to the boards of those plans through Alberta Pensions Administration Corporation at the lowest possible cost.	• Accurate and timely payment of pension benefits. • Timely, accurate and understandable pension information provided to employees, employers and boards.	• Satisfaction of client employees and employers with products and services; target: 4 out of 5 satisfied or very satisfied.
• Lend to local authorities for capital projects at the lowest possible cost, consistent with the viability of the Alberta Municipal Financing Corporation (AMFC). • Investigate possible reform of AMFC corporate governance.	• Access for local authorities to financing at or near the province's cost of borrowing. • Improved corporate governance.	• Alberta local authorities' cost of borrowing from AMFC is lowest among Canadian municipalities. • Satisfaction of local authorities with lending policies and efficiency of AMFC; target: 4 out of 5 satisfied or very satisfied. Local authorities are surveyed triennially (commenced in 1999-2000).

GOAL 6: FOSTER CONFIDENCE IN ALBERTA-REGISTERED PENSION PLANS

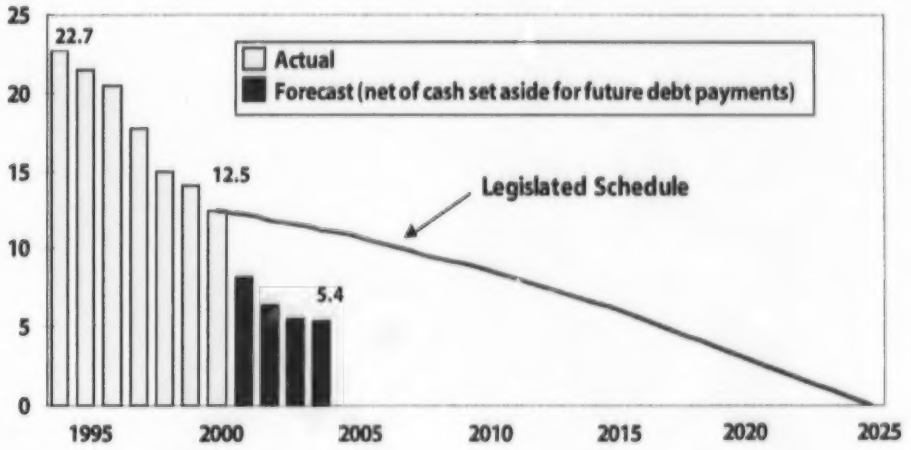
Related Core Government Measures: GDP, Job Growth

STRATEGIES/OUTPUTS	OUTCOMES	PERFORMANCE MEASURES/TARGETS
• Promote consistent legislative standards and administrative roles, rules and procedures among Canadian jurisdictions.	• An efficient and fair regulatory environment for pensions.	• Satisfaction of pension plan administrators with the efficiency and fairness of regulatory environment; target: 4 out of 5 satisfied or very satisfied. Stakeholders will be surveyed bi-annually commencing 2001.
• Develop a response to the electronic distribution of pension information and other market innovations.	• A regulatory environment that reflects today's rapidly changing financial marketplace.	• Satisfaction of Plan members with the quality of assistance, advice and information provided (form and frequency of survey under review).
• Develop a risk assessment system to help identify pension plans needing special attention and assistance to maintain registered status.	• An effective regulatory regime that focuses resources where required.	• Percentage of private sector defined benefit pension plans having solvency ratios equalling or exceeding 0.9; target: 85% of registered defined benefit pension plans will have solvency ratios that equal or exceed 0.9.
		• Compliance problems in "at risk" pension plans resolved within acceptable periods of time; target: To be developed.

KEY PERFORMANCE MEASURES

ACCUMULATED DEBT

Accumulated Debt is an indicator of the financial strength of the province and the long-term performance of the government. It is compared against the targets set out in the *Fiscal Responsibility Act* and includes the outstanding consolidated debt of the General Revenue Fund, the debt of the Alberta Social Housing Corporation and the government's liability for school construction debt.



Preliminary Actual at March 31, 2001.
Source: Ministry of Finance.

PUBLIC AWARENESS OF GOVERNMENT FINANCIAL PERFORMANCE

This measures the portion of Albertans aware of the government's financial performance in the past year. The target is 80% of Albertans.

Date of Survey	% Awareness
November 1995	34%
October 1996	66%
October 1997	72%
September 1998	69%
December 1999	70%
February 2001	70%

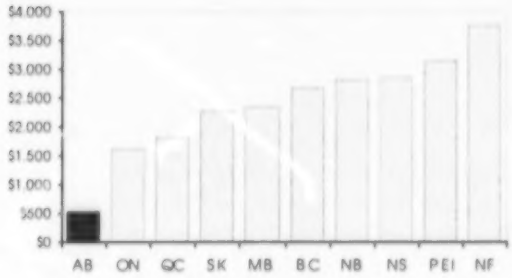
TAXATION LOAD ON A FAMILY OF FOUR (TWO CHILDREN)

This measure compares typical taxes, including provincial income, sales, payroll, fuel and tobacco taxes (excluding federal taxes), and health care insurance premiums payable by a family with two children earning $30,000, $60,000 and $100,000. The target is to have the lowest provincial tax load for a family of four in Canada.

FAMILY EARNING $30,000

Taxes and Health Care Insurance Premiums

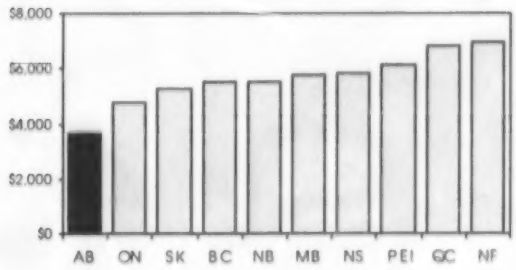
(One-income family with two children)



FAMILY EARNING $60,000

Taxes and Health Care Insurance Premiums

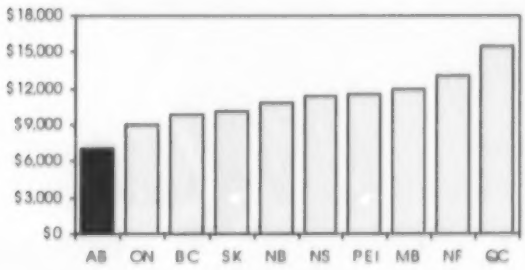
(Two-income family with two children)



FAMILY EARNING $100,000

Taxes and Health Care Insurance Premiums

(Two-income family with two children)



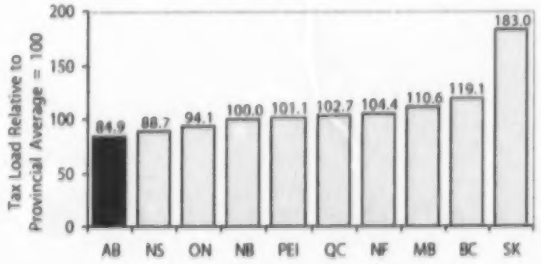
Note: as of April 4, 2001
Source: Ministry of Finance

TAXATION LOAD ON BUSINESSES

This measure compares provincial tax load on businesses and includes business income taxes, capital taxes, and insurance corporation taxes. The target is to have the lowest provincial tax load on businesses in Canada.

PROVINCIAL TAX LOAD ON BUSINESSES* 2001-02

(% of provincial average)



* Includes business income taxes, capital taxes and insurance corporation taxes.

Source: Federal Department of Finance, Equalization Estimates, First Estimate, February 2001

Expense by Core Business

(thousands of dollars)

	Comparable 1999-2000 Actual	Comparable 2000-01 Budget	Comparable 2000-01 Prelim. Actual	2001-02 Estimates	2002-03 Target	2003-04 Target
EXPENSE						
Core Business						
Manage Financial Assets and Liabilities Prudently	962,296	984,585	1,001,927	753,398	621,291	516,135
Facilitate Sound Fiscal Planning and Decision Making	5,112	5,193	5,157	5,409	5,455	5,591
Foster an Effective Accountability Framework	4,868	4,905	4,865	5,036	5,086	5,198
Foster Access to Comprehensive Financial Products and Services, and Pension Plans	514,954	487,358	485,859	444,089	417,481	391,409
Administer the Regulatory Framework for Pension Plan Members, Depositors and Policy Holders	3,268	3,767	3,831	4,043	4,782	4,767
MINISTRY EXPENSE	1,490,498	1,485,808	1,501,639	1,211,975	1,054,095	923,100

Ministry Statement of Operations

(thousands of dollars)

	Comparable 1999-2000 Actual	Comparable 2000-01 Budget	Comparable 2000-01 Prelim. Actual	2001-02 Estimates	2002-03 Target	2003-04 Target
REVENUE						
Internal Government Transfers	112,486	50,323	166,223	44,031	361,282	456,345
Other Taxes	352	350	420	350	350	350
Transfers from Government of Canada	3,883	3,883	3,883	3,883	3,883	3,883
Investment Income	507,561	489,495	508,256	557,375	511,276	430,996
Premiums, Fees and Licences	20,439	15,151	13,976	18,008	21,346	24,200
Net Income from Commercial Operations	245,538	118,233	167,042	155,264	171,778	190,467
Other Revenue	19,225	20,500	22,172	23,486	23,663	23,455
MINISTRY REVENUE	909,484	697,935	881,972	802,397	1,093,578	1,129,696
EXPENSE						
Program						
Fiscal Planning and Accountability	7,937	8,200	8,100	8,266	8,372	8,573
Liability Management	1,928	2,038	2,060	2,037	2,093	2,160
Investment Operations	2,773	3,094	3,296	3,178	3,359	3,515
Regulation of Financial Institutions and Insurance Companies	3,044	3,617	3,653	3,817	4,541	4,501
Ministry Support Services	3,939	3,967	3,983	4,549	4,598	4,718
Pensions	76,995	84,109	78,414	85,333	85,649	85,787
Financial Assistance to Farmers and Small Businesses	3,968	2,400	2,400	1,600	1,200	800
Financing to Local Authorities	437,553	402,797	407,047	358,215	331,277	306,075
Valuation Adjustments and Other Provisions	189	2,000	(1,900)	1,500	1,300	1,450
Program Expense*	538,326	512,222	507,053	468,495	442,389	416,579
Debt Servicing Costs						
Department Voted	101,036	90,586	90,586	80,480	70,706	61,521
Department Statutory	851,136	883,000	904,000	663,000	541,000	445,000
Ministry Debt Servicing Costs	952,172	973,586	994,586	743,480	611,706	506,521
MINISTRY EXPENSE	1,490,498	1,485,808	1,501,639	1,211,975	1,054,095	923,100
Gain (Loss) on Disposal of Capital Assets	(9)	-	(20)	-	-	-
NET OPERATING RESULT	(581,023)	(787,873)	(619,687)	(409,578)	39,483	206,596

* Subject to the Fiscal Responsibility Act. Program expense includes the province's cash payments towards the unfunded pension liability (which will be eliminated under a separate legislated plan). Program expense does not include the annual change in the unfunded pension obligations, which is a non-cash expense that does not affect borrowing requirements. The annual increases (decreases) in the Ministry of Finance's unfunded pension obligations are:

	(94,000)	(7,000)	(8,000)	(7,000)	(6,000)	(7,000)

Consolidated Net Operating Result

(thousands of dollars)

	Comparable 1999-2000 Actual	Comparable 2000-01 Budget	Comparable 2000-01 Prelim. Actual	2001-02 Estimates	2002-03 Target	2003-04 Target
Ministry Revenue	909,484	697,935	881,972	802,397	1,093,578	1,129,696
Inter-ministry consolidation adjustments	(177,081)	(119,635)	(228,632)	(123,287)	(444,944)	(542,925)
Consolidated Revenue	732,403	578,300	653,340	679,110	648,634	586,771
Ministry Program Expense	538,326	512,222	507,053	468,495	442,389	416,579
Inter-ministry consolidation adjustments	(16,018)	(3,851)	(3,804)	(42)	(44)	(45)
Consolidated Program Expense	**522,308**	**508,371**	**503,249**	**468,453**	**442,345**	**416,534**
Ministry Debt Servicing Costs	952,172	973,586	994,586	743,480	611,706	506,521
Inter-ministry consolidation adjustments	(113,749)	(120,635)	(112,522)	(110,152)	(101,472)	(103,531)
Consolidated Debt Servicing Costs	838,423	852,951	882,064	633,328	510,234	402,990
Consolidated Expense	1,360,731	1,361,322	1,385,313	1,101,781	952,579	819,524
Gain (Loss) on Disposal of Capital Assets	(9)	-	(20)	-	-	-
CONSOLIDATED NET OPERATING RESULT	(628,337)	(783,022)	(731,993)	(422,671)	(303,945)	(232,753)